



## **Description and General Information Regarding FINANCING ADJUSTMENT FACTOR ("FAF") FUNDS**

### **Finance Adjustment Factor ("FAF") and Below Market Interest Rate ("BMIR") Program Policies**

The following is a summary for information purposes only. The program policies and the most recent Qualified Allocation Plan have priority.

According to the FAF Refunding Agreement and Appendix A (Plan for Use of FAF Savings) of that document ("the Agreement"), executed August 1, 1990 between the U.S. Department of Housing and Urban Development ("HUD") and the ADFA, FAF funds must be used to finance affordable housing as described below:

- To provide decent, safe, and sanitary housing affordable to very low-income families or persons in Arkansas (very low-income is defined as having total annual household income at or less than 50% of Area Median Income for the area in which the housing is located).
- Mixed-income developments are allowable, provided the FAF funds are used to pay development costs allocable to dwelling units to be occupied by families and persons of very low-income and any facilities related and subordinate thereto.
- The minimum affordability period or term for which the FAF-assisted units must be available to very low-income families and persons is twenty (20) years. This requirement does not indicate that a tenant must be displaced by reason of ceasing to qualify as a very low-income family or person, provided the owner exercises reasonable efforts to lease the next available similar unit to a family or person of very low-income.
- Types of projects eligible to apply for FAF funds include, but are not limited to, acquisition and/or rehabilitation of existing housing, acquisition of and adaptive reuse of non-residential buildings, and new construction with a minimum of five (5) FAF housing units.
- All housing developed with FAF funds must meet all Minimum Design Standards, Universal Design Standards, and all other design requirements set forth in the Qualified Allocation Plan in effect at the time of the application as approved by ADFA.
- All applications submitted to ADFA for FAF funds will be reviewed by ADFA staff, which will then make recommendations to ADFA's Board of Directors. All funding decisions are subject to the approval of the ADFA Board of Directors.
- Any recipient of FAF funds will be required to execute an agreement (the "FAF Agreement") between the recipient and ADFA, specifying all activities to be completed with FAF funds and all requirements associated with the use of FAF funds.
- FAF requirements include, but are not limited to, maintaining file documentation to confirm tenant income and rent. FAF recipients will be required to permit ADFA and other authorized personnel to inspect the assisted property and review tenant files to determine compliance with

applicable FAF requirements. Recipients may also be required to periodically provide written reports and certify, under penalty of perjury, that persons and families assisted with FAF funds meet the criteria to receive FAF assistance.

- ADFA has not established an application deadline; therefore applications for FAF funds will be received and considered on a continual basis. FAF funds are not intended to be used to finance an entire development budget but rather to fill financing gaps to ensure the affordability of FAF assisted housing units.
- The maximum amount of FAF loan funds that may be awarded is Two Hundred Fifty Thousand and No/100 (\$250,000.00).
- FAF funds will be provided to approved recipients as a repayable recourse loan with an annual interest rate of one percent (1%) repayable over the applicable affordability period (The affordability period must be a minimum of twenty (20) years, but can be extended by ADFA's Board of Directors.
- ADFA must periodically report to HUD on the expenditure and uses of FAF funds and must periodically have an audit conducted on the expenditure and uses of FAF funds. Recipients of FAF funds will be required to permit HUD and ADFA personnel to inspect FAF-assisted housing units at reasonable times and under reasonable conditions.
- Should there be a default of the terms and conditions of the use of FAF funds according to the FAF Agreement (defined as any use of FAF funds or FAF-assisted housing for any purpose other than in accordance with the FAF Agreement), ADFA will notify the recipient of specific actions to be taken to cure the default within a stated time frame. If the default is not satisfactorily cured within the stated time frame, ADFA may take any and all legal actions necessary to recoup the FAF funds.
- Any policies associated with the allocation and use of FAF funds, are subject to modification by ADFA's Board of Directors at any time to improve utilization of the FAF funds.
- Effective January 1, 2012, all principals of all applicants, developers, management companies, consultants and architects on an applicant's development team, must submit a copy of certification evidencing completion of Fair Housing Commission training.
- There is a Five Hundred and No/100 Dollars (\$500.00) application fee payable to ADFA at the time the application is delivered unless the application includes a request for low-income housing tax credits.

For more information call or e-mail one of the following:

ADFA Vice President for Housing, Sara Oliver, [Sara.Oliver@adfa.arkansas.gov](mailto:Sara.Oliver@adfa.arkansas.gov), 501-682-5903  
Multi-Family Housing Programs Manager, Jason McVay, [Jason.McVay@arkansas.gov](mailto:Jason.McVay@arkansas.gov), 501-682-5927